

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 COME-00 AID-05 CIAE-00 FRB-03

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P 041200Z FEB 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 3811

LIMITED OFFICIAL USE NEW DELHI 1738

E.O. 11652: N/A

TAGS: BEXP, IN

SUBJECT: PROPOSED SALE OF U.S. LOCOMOTIVE ENGINES TO INDIA

REF: STATE 015604; STATE 026031

1. COMMERCIAL COUNSELOR CALLED ON CRB M.N. BERY ON FEBRUARY 4 TO DISCUSS ODC OFFER. ADDITIONAL MEMBER KAUL WAS ALSO PRESENT. PREVIOUSLY WE HAD MET WITH ADDITMNAL MECHANKAL MEMBER K.L. BERY AND DIRECTOR LALL. ALL OFFICIALS ASSURED THE EMBASSY THAT THE ODC'S OFFER IS RECEIVING FAIR CONSIDERATION AND THE FINAL DECISION ON THE TENDER WILL BE STRICTLY ON COMMERCIAL BASIS IN COMPLIANCE WITH THE USUAL IDA REQUIREMENTS AND PROCEDURES.

2. BERY ALSO STATED THAT THE IRB HAS HAD EXCELLENT AND CORDIAL WORKING RELATIONS WITH ALCO SINCE PAST SEVERAL YEARS AND TO THINK OR PRESUME THAT ITS OFFER IS NOT BEING EVALUATED IN A FAIR AND IMPARTIAL MANNER WOULD BE INAPPROPRIATE.

3. CONCERNING LEGAC'S OFFER TO VISIT INDIA FOR FOLLOW UP NEGOTIATIONS WITH IRB, CHAIRMAN BERY INDICATED THAT THE VISIT WOULD SERVE NO USEFUL PURPOSE AT PRESENT AND ANY FURTHER PRICE REDUCTIONS WILL NOT BE CONSIDERED AS SUCH ACTION WOULD BE IN VIOLATION OF IDA PROCUREMENT GUIDELINES. SHOULD LEGAC'S PRESENCE BE REQUIRED,  
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IRB WILL ADVISE EMBASSY OR COMMUNICATE DIRECTLY WITH ODC.

4. A DECISION ON BIDS IS EXPECTED WITHIN NEXT FOUR TO SIX WEEKS. EMBASSY UNDERSTANDS THAT THE ODC HAS EXTENDED VALIDITY OF ITS OFFER UNTIL FEBRUARY 14, 1976 IN RESPONSE TO THE IRB'S REQUEST FOR EXTENSION UPTO FEBRUARY 28, 1976. TO OVERCOME ANY POSSIBLE ADMINISTRATIVE OBJECTIONS, WE RECOMMEND THAT ODC BE ADVISED TO EXTEND OFFER UNTIL FEBRUARY 28.

5. ON THE ISSUE OF DIESEL LOCOMOTIVE WORKS (DLW) VIOLATING TERMS OF LICENSING ARRANGEMENT ENTERED INTO WITH ALCO, BERY EMPHATICALLY DENIED THE CONTENTION AND STATED THAT IRB AND DLW WERE OPERATING STRICTLY WITHIN THE FRAMEWORK OF THE AGREEMENT. AS AN EXAMPLE, HE SAID THAT SEVERAL COMPONENTS FOR THE DIESEL ENGINES PRODUCED BY DLW WERE BEING IMPORTED FROM ODC AND ANY POSSIBLE OBJECTION BY ALCO AT THIS STAGE WAS NOT JUSTIFIABLE.

6. IN RESPONSE TO OUR QUERY BERY STATED THAT THE CANDIAN AMBAS-SADOR HAS NOT APPROACHED THE BOARD OR THE MINISTER.

7. FYI: WE HAVE BEEN TOLD INFORMALLY AND IN CONFIDENCE BY CERTAIN IRB OFFICIALS THAT ALCO'S INDIAN CONSULTANT (C.P. RELLAN) HAS ACTED IRRESPONSIBLY AND IT WOULD BE IN THE BEST LONG-TERM INTERESTS OF THE U.S. COMPANY TO RETAIN SOMEBODY WHO IS MORE ACCEPTABLE TO RAILWAY BOARD OFFICIALS. WE OFFER NO COMMENT BUT NOTE THAT TWO REQUESTS TO RELLAN FOR WTDR INFORMATION HAVE GONE UNANSWERED IN THE LAST YEAR.

8. BERY WAS SOMEWHAT EMBARRASSED BY OUR APPROACH AND SAID SEVERAL TIMES HE WONDERED WHY AFTER ALL THE YEARS OF DOING BUSINESS ALCO NOW FOUND IT NECESSARY TO EXERT PRESSURE THROUGH U.S. AND THE INDIAN EMBASSY. COMCOUNSELOR HAD PREPARED LETTER OUTLINING SOME OF THE POINTS IN REFTTEL BUT AT BERY'S REQUEST DID NOT LEAVE IT. ALCO HAS A CONTINUING BUSINESS SUPPLYING COMPONENT PARTS TO THE IRB AND WE THINK THAT FURTHER PRESSURE FROM US WILL JEOPARDIZE THIS ONGOING BUSINESS.  
SAXBE

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